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General American Oil Company of Texas

35th Annual Report
Year ended June 30, 1971

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FINANCIAL HIGHLIGHTS

	Year Ended June 30, 1971	Year Ended June 30, 1970
Revenues	**$ 55,700,000**	$ 52,612,000
Income before exploration charges and income tax	**$ 27,314,000**	$ 23,833,000
Net income:		
Before extraordinary items	**$ 8,534,000**	$ 18,785,000
Extraordinary items — net of tax	**3,582,000**	—
Net income	**$ 12,116,000**	$ 18,785,000
Per common share (1):		
Income before exploration charges and income tax	**$ 4.73**	$ 4.12
Exploration charges	**(2.86)**	(.72)
Income tax	**(.39)**	(.15)
Income before extraordinary items	**$ 1.48**	$ 3.25
Extraordinary items	**.62**	—
Net income	**$ 2.10**	$ 3.25
Cash flow (2)	**$ 37,893,000**	$ 36,254,000
Cash flow per common share (1) (2)	**$ 6.56**	$ 6.27
Common stockholders' equity	**$208,458,000**	$199,837,000
Dividends paid per common shares:		
Cash	**$ .60**	$ .60
Stock	**3%**	3%
Capital expenditures:		
Drilling and related equipment costs	**$ 18,016,000**	$ 13,338,000
Undeveloped leases and rentals	**$ 11,641,000**	$ 2,827,000
Other	**$ 787,000**	$ 788,000

OPERATING HIGHLIGHTS

	Year Ended June 30, 1971	Year Ended June 30, 1970
Crude oil and condensate — net barrels	**11,096,000**	11,051,000
Natural gas — net MCF	**66,675,000**	71,795,000
Wells drilled — net	**70**	36
Wells operated — gross	**1,682**	1,724
Wells owned — net	**1,745**	1,801

(1) Based on average number of shares outstanding, adjusted for stock issued as dividends: 1971 — 5,775,000 shares; 1970 — 5,783,000 shares.

(2) Net income before extraordinary items, increased by non-cash expenses and expensed exploration charges.

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President's Letter

TO THE STOCKHOLDERS:

After almost two years of preparation the Company was successful in obtaining a substantial offshore lease position by joining a group of other companies in bidding at the Federal Outer Continental Shelf Lease Sale for Western Offshore Louisiana held in December, 1970. GAO participated in the purchase of nine 5000-acre tracts and acquired an interest in one more tract after the sale from another company. An exploration program on these leases has now commenced. The Company is gratified by the confidence shown in its offshore prospects by a gas transmission company which has agreed to share part of the risk and to give substantial financial support to GAO's exploratory efforts in exchange for a call on gas discovered by drilling on these tracts. Details of the agreement are set forth in this report.

General American's management believes that the most attractive areas for exploration are the offshore areas of the United States and politically stable foreign countries. Admittedly high risks are involved both from an exploration and operating standpoint and the sharing of these risks by joining groups of other companies whose interests are compatible with the Company's is the most logical method for GAO to obtain the rewards believed to be abundant in these promising areas. Accordingly, General American has joined exploration groups to attempt to acquire offshore acreage off eastern Louisiana and in the North Sea. Management has approved entry in other offshore areas and these decisions are being implemented by geological studies and negotiations. Although a major part of the Company's exploration efforts will involve offshore areas, it is not anticipated that onshore areas will be neglected, particularly in Western Canada where the Company is accelerating drilling.

The decline in net profits was not unexpected in view of the Company's greatly increased income tax exposure and commitment to growth by exploration. This fact should not detract from the accomplishments of the Company and its employees in achieving a twofold increase in exploration and all-time records in revenues, cash flow and oil production. The performance of Stockton, Whatley, Davin & Company is especially commendable in achieving all-time profitability records while carrying the financial costs of an expanded raw-land inventory which is increasing in value and will contribute to future profits.

The Company retains its strong financial position and it is noteworthy that this year's expanded exploration effort was entirely financed through internally generated funds.

Yours very truly,

President

September 9, 1971
Dallas, Texas

Domestic Operations

ACQUISITIONS

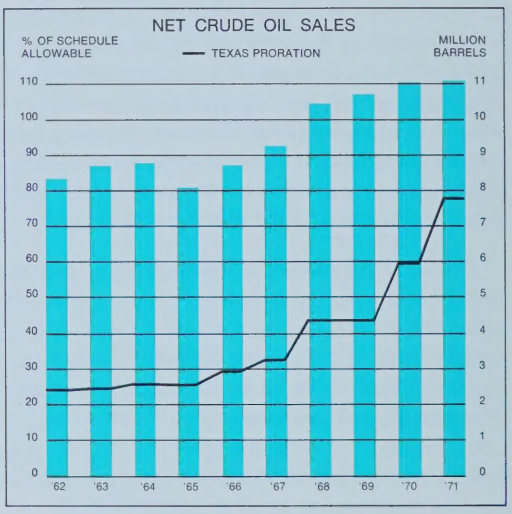
During the fiscal year, the Company evaluated 118 submittals of producing oil and gas properties and successfully closed three. As mentioned in last year's report, a portion of one of the acquisitions was closed in July, 1970 and the remainder in February, 1971. The total consideration for the three acquisitions was $2,500,000 in cash and production payments. Company engineers estimate these purchases have added 2.1 million barrels of oil and 4.3 billion cubic feet of gas to the Company's interest. These properties, both operating and royalty interests, are located largely in the East Texas field with minor operating and royalty interests in fields in Texas, Arkansas, Oklahoma and Mississippi.

DRILLING

The Company drilled 52 wells and participated in 97 wells (83 of which were in the development of waterfloods) drilled by others, for a total of 149 wells. This compares with 38 drilled by GAO and 18 by other operators in 1970 for a total of 56 wells. The Company's interest was 57 net wells in 1971, compared with 33 in 1970. Of the 57 net wells, 33 were productive and 24 were dry.

The gross number of wells drilled increased 95 from the previous year. The actual footage drilled increased from 535,800 in 1970 to 960,554 in 1971. The average depth decreased from 9,568 feet in 1970 to 6,447 feet in 1971, largely because of the number of shallow waterflood development wells drilled.

In addition to the above, 9 productive oil and gas wells were drilled on leases in which the Company owns royalty or net profit interests.



PRODUCTION

The Company, at June 30, 1971, owned interests in 7,271 oil and 1,239 gas wells, equivalent to 1,363 net oil and 177 net gas wells, or a total of 1,540, compared with 1,599 on June 30, 1970. General American operated 1,485 wells at June 30, 1971, compared with 1,527 during the previous year.

For fiscal 1971, net domestic oil and condensate sales were 9,666,299 barrels, a 3.3% increase over the prior year's sales of 9,357,299 barrels. Continuing strong demand increased scheduled well allowables in Texas from 60.38% in 1970 to 78.715% in 1971, a 29% increase. At these higher rates, wells were less responsive to increases in allowables and, consequently, the sales of oil and condensate in Texas increased only 7.5% to 5,732,792 barrels.

Net gas sales were 64,910,854 MCF for fiscal 1971, down 6.9% from 1970. For the past three years, due to the demand requirements, gas deliveries have been made at the maximum efficient rates of production. Natural declines in deliverability account for the lower sales. The Company has no substantial gas properties in the United States from which gas is not now being marketed.

SALES OF OIL AND CONDENSATE—BARRELS

Year Ended June 30

	1971	*1970*
United States:		
Texas	5,732,792	5,332,614
Louisiana	2,597,601	2,653,809
Oklahoma	621,007	646,354
New Mexico	438,669	438,402
Kansas	130,017	141,883
Other States	146,213	144,237
	9,666,299	9,357,299
Canada:		
Saskatchewan	1,108,876	1,328,104
British Columbia	274,208	320,475
Alberta	46,776	44,718
	1,429,860	1,693,297
	11,096,159	11,050,596

LOUISIANA – ONSHORE

At southeast Gueydan, Vermilion Parish, Louisiana, the Company drilled the #3 Vermilion Parish School Board well, mentioned in last year's report, to a total depth of 18,420 feet. By electric log analyses, over 53 feet of hydrocarbon-bearing sand was encountered from 15,770 to 16,040 feet. This well tested on potential 6,000,000 cubic feet of gas and 240 barrels of condensate per day from perforations at 16,001 to 16,016 feet.

In St. Martin Parish, the offset to the Jeanerette Lumber & Shingle Company well, an indicated wildcat discovery of last year, was drilled at a location higher on the structure, but the pay section was shaled-out, which condemned the prospect. The discovery well has now been abandoned due to water encroachment.

Shortly after the end of the fiscal year, on a 1,000-acre block at North Crowley, Acadia Parish, the General American #1 Habetz well was completed and tested on potential 408 barrels of oil per day through a 6/64″ choke from perforations at 12,814 to 12,862 feet in the Frio #12 sands. Additional drilling on this block is anticipated.

NEW MEXICO

Twenty-two wells were drilled and completed in the shallow Grayburg-Jackson field in Eddy County. Following these completions, production from these wells averaged 680 barrels of oil per day.

NORTH DAKOTA

The Company has entered into an agreement with a major oil company on an area covering approximately 250,000 acres in the Williston Basin. The agreement provided for GAO conducting certain geophysical surveys and drilling three Red River dolomite tests, approximately 12,500 feet deep, to earn a 50% interest in this large lease-block.

One of the three wells, the Burlington #1-9, was completed as a wildcat discovery, flowing 729 barrels of 49-degree gravity oil per day through a ½″ choke, from perforations of 12,383 to 12,918 feet. Performance of this well has been somewhat disappointing and production has declined to the extent that pumping equipment will be installed on this well in October.

Despite these initial disappointments, this area is considered attractive for further exploration and discussions concerning additional wildcat drilling with the other fifty percent owner are currently in progress.

OKLAHOMA

In the Anadarko Basin of western Oklahoma, the Company is participating in the drilling of a 19,500-foot Hunton Lime well, which was spudded on July 20, 1971. This test well is located on a 6,300-acre lease block in Roger Mills County, and it is estimated that drilling operations will take approximately seven months. GAO's interest in this venture is 70%.

TEXAS

In the eastern shelf area of Borden and Garza Counties, the Company is conducting geophysical operations. Five 8,600-foot wells have been drilled, two of which were completed as wildcat discoveries from the Strawn Lime formation. Additional drilling is planned for this area.

The Company owns interests in four large waterflood units in the Wasson San Andres field in Gaines and Yoakum Counties in West Texas. With the drilling of 83 wells during the past year, these projects are nearing completion. When the units were formed in 1964 and 1965, GAO's net production was 300 barrels per day, and during 1971, production exceeded 1,600 barrels per day.

In June, 1971, the conversion of twenty-eight water input wells and the installation of a water plant facility was completed on the Company's 46%-owned Central Dune (San Andres) Unit waterflood project, located in Crane County, which was mentioned in last year's report. Twelve-thousand barrels of water per day are now being injected, and Company engineers estimate that this daily rate will be required for four years before production responds.

PIPELINE

A wholly-owned subsidiary, General American Pipe Line Company, operates a 208-mile gathering system connected to 1,703 wells in the East Texas field. A 40-mile trunk line extends from this system to Bullard, Texas, where it connects with a main line of The Pure Oil Company, a division of Union Oil Company of California.

LOUISIANA – OFFSHORE

In early 1969, the Company joined a group of companies to conduct a geophysical survey of offshore western Louisiana with the objective of bidding jointly in Federal Offshore Sales and conducting joint drilling operations on any acreage purchased. This group interpreted 7,500 linear miles of stacked seismic lines and performed extensive geological studies. GAO's group was the successful bidder on nine 5,000-acre tracts in the Federal Outer Continental Shelf Lease Sale for western offshore Louisiana held on December 15, 1970. The Company's share of the bonuses for these tracts was $6,196,376 including the first-year rentals. GAO's interest is as follows:

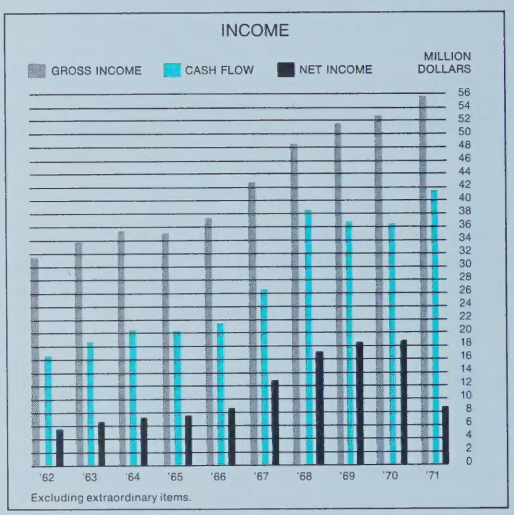
Location	Block No.	Percent Interest
W. Cameron Area	245	28%
W. Cameron Area	256	28%
W. Cameron Area, W. Addition	347	28%
W. Cameron Area, S. Addition	474	28%
W. Cameron Area, S. Addition	475	28%
Vermilion Area	227	28%
Eugene Is., S. Addition	335	28%
Eugene Is., S. Addition	336	28%
Vermilion Area, S. Addition	325	45%

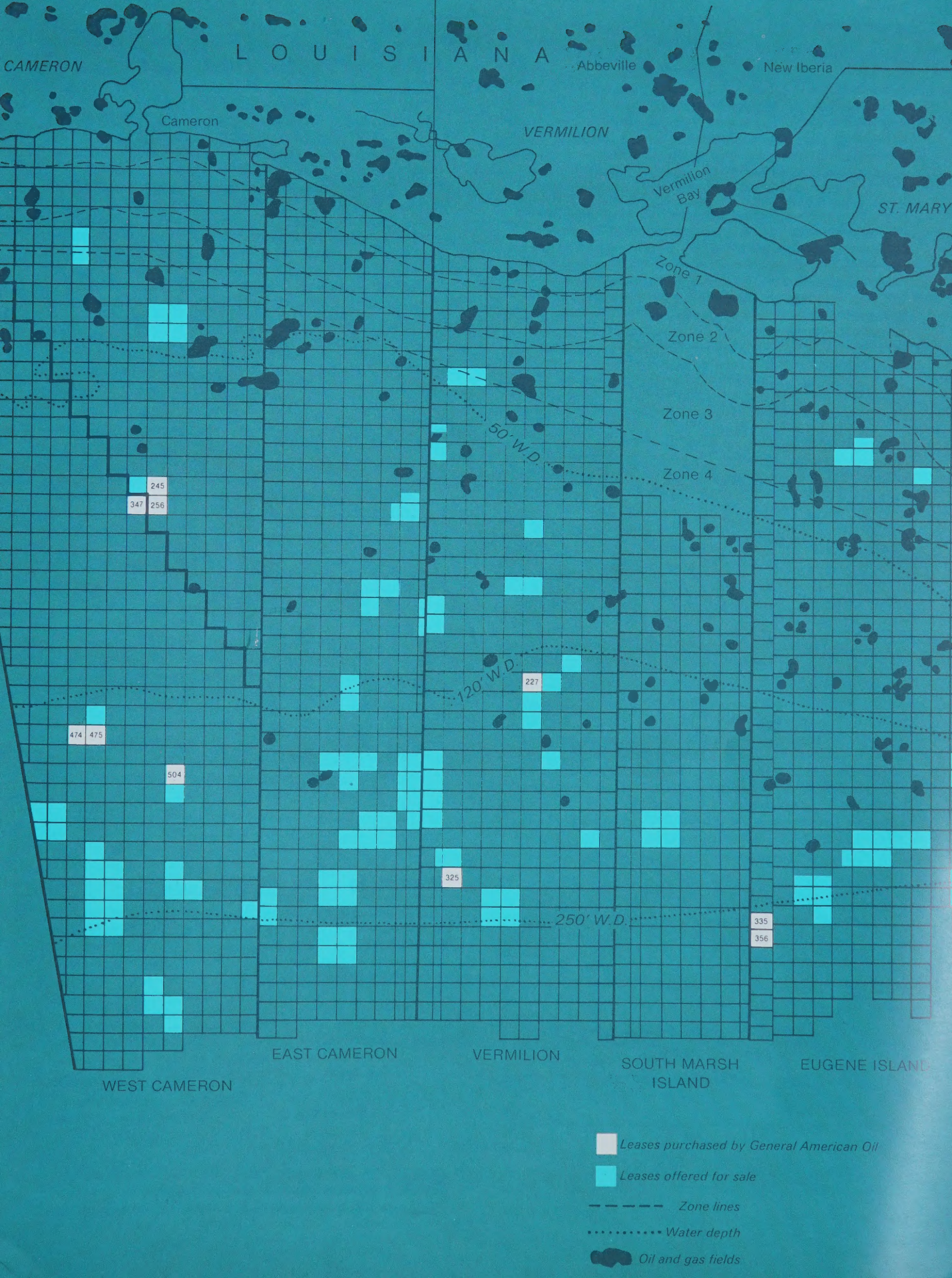
Exploration of these blocks has been encouraged by a recent agreement between a gas transmission company and GAO and other companies jointly interested with the Company in its western offshore Louisiana tracts. The agreement covers the nine offshore tracts hereinbefore mentioned as well as six tracts in which the Company has no interest. Exploration advances of $13,000,000 are provided for in this agreement, of which amount GAO will receive $3,295,890. If gas reserves are discovered, the Company will be entitled to its proportionate share of the $20,000,000 to be advanced for development, depending on its interest in such reserves. Repayment of these advances is to be made, without interest, out of future production revenues, calculated over a five-year period. If commercial production is not discovered, 50% of the advances will be repaid over five years, beginning after the completion of the last exploration well.

In accordance with the agreement, a twenty-well drilling program to test the nine blocks has been commenced. Three wells have been drilled in the current fiscal year, all of which have been plugged and abandoned. The first of these was a joint well drilled with an offsetting owner located on Block 227, Vermilion area. This 15,000-foot test was abandoned at 13,840 feet due to mechanical difficulties without testing its objective. The second was an 8,000-foot test on Block 347, West Cameron area, and the third was a 9,700-foot test on Block 256, West Cameron. Seven additional exploratory wells have been scheduled for drilling in calendar year 1971 and six in early 1972.

In the vicinity of the aforementioned nine tracts, GAO recently acquired from another company a 20% interest in West Cameron offshore Block 504 for cash and the agreement to participate in three wells. Four relatively shallow wells have now been drilled, plugged and abandoned on this 5,000-acre block. Hydrocarbons were encountered, but additional drilling will be necessary to determine the significance of this accumulation. Further drilling is planned this year.

Preparations are now being made for the Eastern Louisiana Offshore Sale, which has been tentatively scheduled for December, 1971. The Company has a 25% interest in an exploration group, which is performing geological and geophysical work in this area, and it is anticipated that group bids will be submitted.




CAMERON
LOUISIANA
Abbeville
New Iberia
Cameron
VERMILION
Vermilion Bay
ST. MARY
Zone 1
Zone 2
Zone 3
Zone 4
50' W.D.
120' W.D.
250' W.D.
245
347
256
227
474
475
504
325
335
356
WEST CAMERON
EAST CAMERON
VERMILION
SOUTH MARSH ISLAND
EUGENE ISLAND
Leases purchased by General American Oil
Leases offered for sale
Zone lines
Water depth
Oil and gas fields

Canadian Operations

General American Oils, Ltd. is a wholly-owned subsidiary engaged in exploration and production in Canada. Late in 1970, the Company moved to larger offices to provide space for an expanded exploration staff and to consolidate drilling and production operations at the new Calgary location.

During the fiscal year, the Company continued an aggressive exploration program participating in 19 wells, which resulted in one gas well, one oil well and seventeen dry holes. The high ratio of dry holes is indicative of the fact that almost all of GAO Ltd.'s drilling was "wildcat" without the benefit of a backlog of relatively safe development drilling. Nevertheless, considerable progress was made during the year with the acquisition of 81,517 net lease-acres by farmin and purchase. Five of the dry holes drilled earned interests in acreage which Company geologists regard as highly prospective. One of these earned acreage offsetting a Slave Point gas discovery drilled by others in northeastern British Columbia. This acreage earned by drilling the Gunnel prospect is considered semi-proven. Two of the abandoned wells in another area encountered heavy oil at shallow depths. Unfortunately, these wells could not be tested because of the necessity of moving out the rigs before the spring thaw. Further work will be undertaken to determine if oil can be produced by conventional means.

Additional highly prospective acreage was obtained as a result of drilling the Helmet c-40-K-94-P-7 well in northeastern British Columbia. This well tested 11.2 million cubic feet of gas per day through chokes on a drill stem test in the Slave Point Reef at approximately 6,100 feet. The well is presently shut-in as the nearest pipeline is 40 miles away. The Company owns a 25% interest in the 1,302 acres on which this well is located, and in the January 27, 1971 Crown Reserve Sale, acquired a 50% interest in a 9,747-acre drilling reservation and a 651-acre P&NG lease offsetting the discovery well. A seismic program to evaluate the purchased acreage was completed and, as a result, a follow-up location has been selected for drilling during the 1971-1972 winter season.

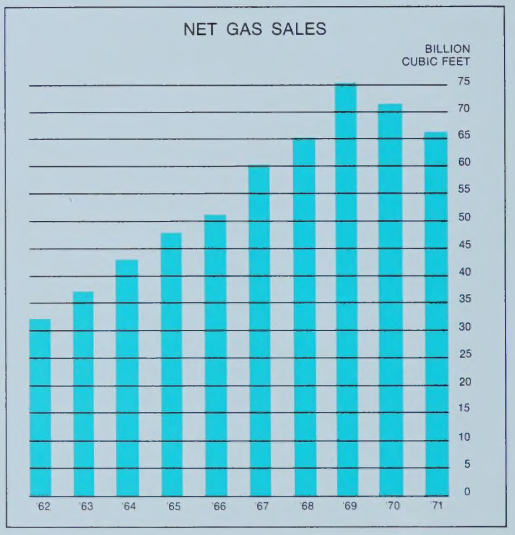
As of June 30, 1971, the Company owned an interest in 770 oil and 65 gas wells, equivalent to 187 net oil and 18 net gas wells.

The Company produced 1,429,000 net barrels of oil during fiscal 1971, compared to 1,693,297 barrels for the precious year. This 16% decrease was caused by curtailed production in the Coleville field for four months during reconstruction of the facilities, which were destroyed by a major fire in June of 1970. This field is back on full-stream and continues to exhibit good response to water-flood despite the temporary shut-down.

The Company's Canadian crude prices advanced $.28 to $.36 per barrel throughout the year.

North Sea

One of the new offshore areas of interest is the North Sea, where General American, through its wholly-owned subsidiaries, has joined a group composed of United Kingdom, Canadian and United States companies, which has been identified as the "Sea Search Group". GAO's participation is 10%. The group has acquired several thousand miles of seismic data, interpreted such data and completed additional seismic work. An application has been filed with the British Government for production licenses on a number of blocks in the North Sea. This application covered only blocks to be awarded on the basis of work commitments. The awarding of licenses is anticipated to be made in late October or early November, 1971.



Reserves

Company engineers estimated proven net reserves as of June 30, 1971 to be 140.3 million barrels of crude oil and condensate and 901.5 billion cubic feet of gas. Included in these reserves were 1.7 million barrels of crude oil and condensate and 18 billion cubic feet of gas applicable to the liquidation of principal and interest of production payments. As a result of drilling, property acquisitions, secondary recovery project development, and active exploitation of the Company's older producing properties, net oil reserves were approximately the same as last year despite record production of over 11 million barrels of oil.

These estimates do not include reserves recoverable by secondary recovery methods, unless active operations have been started, or unless pilot floods have been successfully operated in the same field or in similar fields in the area.

NET ACRES UNDER LEASE

as of June 30, 1971

United States:	*Producing*	*Non-Producing*
Alabama	—	5,772
Alaska (1)	—	2,108
Arkansas	120	1,619
California	2,933	161
Colorado	320	480
Illinois	623	—
Kansas	6,568	—
Louisiana	38,554	37,524
Mississippi	142	11,708
Montana	—	140,116
New Mexico (2)	14,915	52,130
North Dakota	320	79,243
Oklahoma	8,497	61
Texas	72,499	52,981
Wyoming	99	24,970
	145,590	408,873
Canada:		
Alberta (3)	296	129,757
British Columbia (4)	13,897	152,085
Northwest Territories	419	12,354
Saskatchewan	13,930	—
	28,542	294,196
Totals	174,132	703,069

(1) Represents a 33⅓% net profits interest in 6,322 net leasehold acres.

(2) Includes 49,770 acres in which the Company owns all oil rights (which are held by gas production) but owns only a net profits interest in gas production.

(3) Includes Permit as well as lease acres.

(4) Includes 76,696 acres which represents net profit overriding royalty interests under 335,476 gross acres.

SALES OF GAS — MCF

Year Ended June 30

United States:	*1971*	*1970*
Louisiana	56,387,197	60,354,103
Texas	4,539,270	5,536,031
New Mexico	2,387,357	2,294,603
Oklahoma	805,769	762,405
Other States	791,261	757,979
	64,910,854	69,705,121
Canada:		
Saskatchewan	1,485,717	1,778,952
British Columbia	278,772	311,071
	1,764,489	2,090,023
	66,675,343	71,795,144

Personnel

Charles B. Sherrouse of Monroe, Louisiana, passed away June 19, 1971. He had served as a director of General American Oil Company of Texas since its incorporation on July 1, 1936. In addition, Mr. Sherrouse had served as a director of Louisiana Power and Light Company, Hibernia National Bank in New Orleans and Ouachita National Bank.

At the Board of Directors' meeting on August 27, 1971, Mr. George A. Gear of Jackson, Mississippi, was elected to fill the vacancy on the Board occasioned by the death of Mr. Sherrouse. Mr. Gear is Chairman of the Board of Standard Life Insurance Company of Jackson, and also serves as a director of Deposit Guaranty National Bank of Jackson.

On May 28, 1971, Mr. Sylvester Dayson resigned as Chairman of the Board of Premier Petrochemical Company and as a director of General American Oil Company of Texas.

REMUNERATION

The average number of employees in the various operations and their direct compensation was as follows:

	Number	Compensation
Oil and gas operations	402	$ 3,760,000
SWD, excluding Clubs	459	4,014,000
Ponte Vedra Club	354	1,286,000
Deerwood Club	52	274,000
Premier Petrochemical Co.	43	521,000
Meadows Building	36	167,000
	1,346	$10,022,000

STOCK BONUS PLAN

The Company contributed an amount equal to 10% of direct compensation of participating employees into the Stock Bonus Plan. GAO shares were purchased by the Plan in the open market. At June 30, 1971, the Plan owned 89,903 shares, purchased at an aggregate cost of $2,575,000, or an average of $28.64 per share.

RETIREMENT PLAN

The Retirement Plan is self-administered on an actuarial basis, and the cost was $450,000 for the current year. The value of accrued benefits, both vested and non-vested is fully funded. The Meadows Building, which houses the general offices of the Company, is one of the major assets of the Trust, which also has investments in oil royalties, real estate and securities.

In lieu of an actuarial retirement plan, SWD has a profit-sharing plan — 10% of net profits before income taxes. SWD's contribution to its profit-sharing plan was $425,000 for the current year.

Stockton, Whatley, Davin & Company

OPERATIONS

The performance of SWD for the fiscal year ended June 30, 1971 surpassed every goal set by management. Net operating income before taxes amounted to $3,823,000, the highest in Company history, compared to $1,950,000 for the previous year.

Highlighting the year's performance were substantial gains in mortgage production of all types of properties in every area of Florida. In addition to the production increases, continued improvement in marketing procedures, improvement in mortgage servicing income, and additional income from a substantially increased loan demand, combined to produce the record earnings.

The total volume of mortgage loans of all types produced during the year reached $280 million, which is an increase of 70% over the previous year's record production. Accounting for 41% of the total production was a record single-family residential volume of $114,855,000, and this is the first time that more than $100 million in single-family loans has been produced in one year. A total of 6,159 loans accounted for this record volume, 62% of which came from the refinancing of existing homes.

Loans closed on income-producing properties increased to a record $84,158,000, which was 30% of total closings for the year. Continuing to dominate this area of mortgage production was apartment financing, with loans also being closed on office buildings, motels, warehouses and shopping centers. New commitments received on loans of this type exceeded $117 million, which is more than double the previous year's volume and is by far the highest commitment figure ever produced by the Company.

FHA special project loans became a very significant part of total mortgage production during the year with volume reaching $81,677,300. Included in the 26 FHA projects were 3,679 apartment units, 572 hospital rooms and 240 mobile home pads in 15 Florida communities. The largest commitment ever issued by the Federal Housing Administration, a $29 million loan to the Baptist Hospital in Jacksonville, was included in this volume.

The Company's mortgage servicing portfolio consisted of 63,877 loans at the end of the fiscal year and amounted to $910,524,000. This is an increase of 15% in the portfolio during the year and is the first time that a net annual increase of more than $100 million has been recorded. All of this increase was produced in the form of new loans and at the present rate of growth, it is anticipated that the Company will reach the long-awaited billion dollar mark in mortgage servicing during the next fiscal year.

With net annual premiums of $7,399, 355, a new record for insurance sales was also established during the year. This is an increase of $880,000 over the previous year and resulted in an 8% increase in commissions to $1,599,282. Insurance production continues to grow, with the Company's statewide coverage offering an excellent spread of business and favorable loss ratios to the insurance companies represented.

Real estate commissions increased by 19% during the year and amounted to $607,916 on total sales volume of $21,755,000.

The Ponte Vedra Corporation, which is a wholly-owned subsidiary of SWD, also completed a very successful year, with increased occupancy resulting in a 35% improvement in net income from the Club operations. In addition, the sale of residential lots increased substantially during the year reflecting a strong continuing interest in resort community living.

The stock option granted to SWD as a part of its compensation for its management of Arvida Corporation was not exercised by the Company and expired on October 23, 1970. The management contract was renegotiated to increase SWD's fee from $150,000 to $240,000 per year. SWD presently owns 223,351 shares of Arvida Corporation common stock.

REAL ESTATE

In September, 1970, the Company announced the formation of a joint venture with National Lead Company (now known as NL Industries) for the rehabilitation and development of approximately 2,170 acres of land in Jacksonville. Included in the

transaction were two tracts of land situated East and South of downtown Jacksonville in the direction of the city's greatest predicted growth.

The largest tract, consisting of approximately 1,670 acres, is located about eight miles southeast of the city and immediately North of Deerwood, the residential club community purchased by SWD in June of last year. Another 500 acres are included in the second tract which is located immediately North of the famous Regency Square Shopping Center about six miles East of downtown Jacksonville.

The venture with NL Industries, plus the purchase of the Deerwood properties, gives SWD control of more than 5,500 acres of land in southeast Jacksonville. It is into this area that almost 250,000 people are expected to move in the next twenty years, which will represent approximately half of Jacksonville's total population increase during the period as the city doubles in size. It is estimated that 80,000 housing units will be needed to satisfy this demand, plus the shopping and service facilities to accommodate such an increase. An additional 50 schools must also be built in this area of the city.

DEERWOOD

During the year, the Company began the development of the 3,400 acres included in the Deerwood properties acquired in June, 1970.

Primary attention is being focused, at the present time, on a 400-acre tract between I-95 and U.S. 1, North of Baymeadows Road. Already under construction here, and scheduled for completion by April, 1972, is an office and light industrial park to be called Baymeadow Center, which is being developed around a beautiful 22-acre lake.

PONTE VEDRA

The Company's resort facilities at Ponte Vedra Beach were acquired in 1942, and today, the Ponte Vedra Inn and Club is recognized an one of the nation's distinguished luxury resorts with its magnificent 27-hole golf course, excellent tennis facilities and unsurpassed beach.

Included in the Company's land holdings at Ponte Vedra are approximately 10,000 acres at South Ponte Vedra Beach. In addition to 5 miles of ocean frontage, this tract includes a 2,200-acre lake as well as frontage on the Intracoastal Waterway.

The predicted growth of the Jacksonville area toward the beaches, including the extension of J. Turner Butler Boulevard beyond the University of North Florida to Ponte Vedra by 1975, assures the continued development of Company-owned properties South and East of the city. This is the section in which approximately 50% of the future growth of the Jacksonville area will be accomplished.

Premier Petrochemical Company

In fiscal 1971, Premier Petrochemical Company incurred a loss of $2,233,000, which resulted primarily from the start-up of the new melamine facility. Included in such loss was $769,000 of depreciation expense for the melamine plant.

Recent organizational changes in plant management have resulted in the strengthening of technical capabilities. Significant progress has been made in correcting the numerous technical, mechanical and operational difficulties encountered during start-up through the combined efforts of Company personnel and the melamine licensor. Plant on-stream time continues to improve and full-plant capacity should be achieved in the immediate future upon completion of certain design modifications.

Sales revenues, after deducting storage, handling, freight and commission costs, were $2,934,000, compared to $2,668,000 in 1970.

Current operations of the melamine plant encourage management to believe many of the problems that have plagued operations in the past have been solved. The outlook for urea and remaining problems in the melamine plant are such that management expects further losses from Premier Petrochemical Company; however, it is anticipated that the operating losses of the melamine plant will materially decrease. The expected loss for the Company will result from necessary repairs to the urea plant, which is now 7 years old, from urea market conditions and from financial and depreciation expense.

Financial Review

REVENUES

For the year ended June 30, 1971, revenues were $55,700,000, a new record and an increase of $3,088,000 or 5.9% over the previous year. Crude oil, condensate and casinghead product sales were $38,408,000, up $3,417,000 or 9.8%, with higher prices accounting for 76% of this gain. Although the Company-wide average price realized for crude and condensate increased from $3.00 in 1970 to $3.20 in 1971, a more detailed breakdown is shown below:

	AVERAGE PRICE PER BARREL		
	Fiscal Year		June
	1971	1970	1971
Crude — U. S.	$3.36	$3.21	$3.45
Crude — Canada	2.17	1.90	2.23
Condensate — U. S.	3.30	3.14	3.50

Interstate sales of natural gas are included in the Company's revenues only to the extent of rates approved or set by the Federal Power Commission in its various orders. Contract amounts collected in excess of these approved rates are, therefore, included in "Accounts Payable" or "Unpaid Production Payments" in the Consolidated Balance Sheet. On July 16, 1971, the Federal Power Commission issued its long-awaited Order in the South Louisiana Area Rate Proceeding, which increased prices for both current and past sales in the Company's major gas producing area. Most of the Commission's orders of significance are litigated; hence, a judicial review of this major decision appears likely. In accordance with the Company's accounting policy, natural gas sales for the current year reflect the prices under the new Order (contract prices not to exceed 22.375 cents for gas subject to the Louisiana production tax and 21.375 cents for gas not subject to Louisiana's production tax, both prices subject to BTU adjustment) and increases applicable to past sales are shown as an extraordinary item. Current gas sales were increased $786,000 and interest expense decreased $205,000 as a result of the Order. Reported as extraordinary income was $3,348,000, representing price increases of prior sales and consequent reductions of interest expense on refund obligations, net of deferred Federal income tax of $235,000 or $3,113,000.

Under the terms of the Order, the remaining refund obligations may be reduced if new gas reserves are committed to the interstate market between August 1, 1971 and October 1, 1977. The Company intends to continue its gas exploration efforts and, hopefully, these refund obligations will be further reduced.

Reports on the Company's unconsolidated subsidiaries, Stockton, Whatley, Davin & Company and Premier Petrochemical Company, are shown in a separate section of this report.

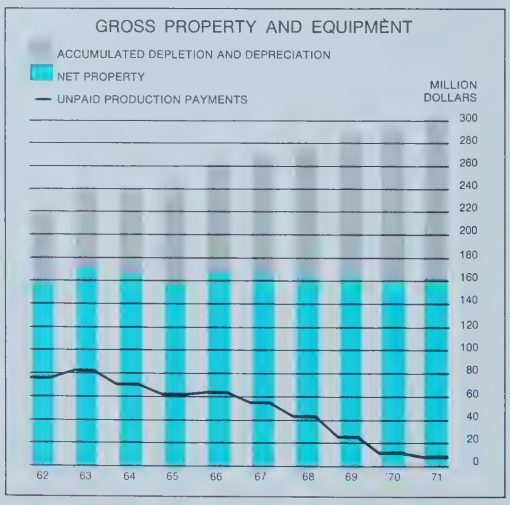
Cash flow (net income before extraordinary items plus depletion, depreciation, amortization and exploration charges) was $37,893,000 or $6.56 per share, compared to $36,254,000 or $6.27 in 1970.

Inflationary pressures continued to effect lease operating expense, up 9.4%; taxes other than Federal income, up 5.6%; and administrative and general expenses, up 11.7%. Interest and other expenses, however, declined $1,126,000 or 59%; thus, offsetting the rise in cost mentioned above.

Income before exploration charges was $27,314,000, an increase of $3,481,000 or 14.6% over fiscal 1970. Exploration charges, resulting from a greater emphasis on exploratory drilling, were $16,542,000, an increase of $12,361,000 or 295.6%. Included in such costs were unproductive wells drilled of $9,288,000, an increase of $6,693,000 or 257% over the previous year. Effective July 1, 1970, the Company changed to the amortization method of accounting for the costs of undeveloped acreage acquired after June 30, 1970. Leases surrendered and amortization of undeveloped leases were $5,878,000, up $5,156,000 or 714%. Other exploration costs of $728,000 represented geological and geophysical expenditures on projects abandoned.

Income before income taxes was $10,772,000, down $8,880,000 or 45.2%. The provision for income taxes was $2,238,000, an increase of $1,371,000 or 158%. Income before extraordinary items was $8,534,000 or $1.48 per share, down $10,251,000 or 54.6%.

Included in extraordinary items was $3,113,000, representing increases in prior gas prices, less deferred income tax, as discussed above, and $469,000 of capital gains, net of $338,000 tax, on the sale of stock held for investment. Total extraordinary items were $3,582,000 or 62 cents per share. Net income was $12,116,000 or $2.10 per share, compared to $18,785,000 or $3.25 per share in 1970.



WORKING CAPITAL

At June 30, 1971, working capital was $10,773,000, compared to $8,494,000 a year earlier. The improvement resulted in part from the reduction in the FPC refund liabilities discussed above. The ratio at year-end was 1.78 to 1.

OTHER ASSETS

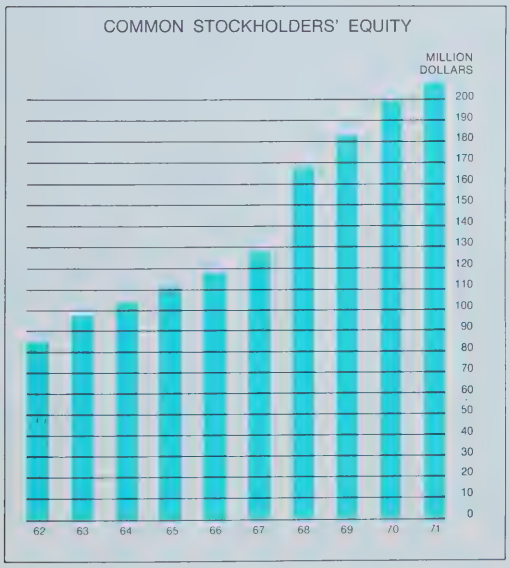
Included in other assets of $16,616,000 was $15,690,000 of accounts receivable collectible solely from production. Net profit royalty interests were treated for financial accounting as outside joint interests, and expenditures applicable thereto, less applicable receipts, were charged into these accounts. Upon payout of the related production payments, the funds being applied thereon will revert to and quickly liquidate the net profit balances. During fiscal 1971, net collections were $5,053,000, which had no effect on financial earnings but strengthened the cash position of the Company.

PROPERTY

Gross property and equipment accounts were $302,492,000 at June 30, 1971, an increase of $10,676,000. The balance of unpaid production payments decreased $7,435,000 to $5,468,000 at year-end.

CAPITAL

The book equity of stockholders at June 30, 1971 was $208,120,000, an increase of $8,283,000 during the year.



Statement of Consolidated Income

General American Oil Company of Texas and Consolidated Subsidiaries

	Year Ended June 30, 1971	Year Ended June 30, 1970
REVENUES		
Crude oil, condensate and casinghead products (Note A)	**$ 38,408,000**	$ 34,991,000
Natural gas (Note A)	**12,528,000**	12,428,000
Income of Stockton, Whatley, Davin & Company (Note B)	**3,823,000**	1,950,000
Loss of Premier Petrochemical Company (Note B)	**(2,233,000)**	(345,000)
Interest, transportation and other income	**3,174,000**	3,588,000
	55,700,000	52,612,000
EXPENSES EXCLUSIVE OF EXPLORATION CHARGES		
Lease operating expenses	**7,822,000**	7,151,000
Taxes — other than Federal income	**3,833,000**	3,629,000
Depletion and depreciation	**12,817,000**	13,288,000
Administrative and general expenses	**3,132,000**	2,803,000
Interest and other expenses	**782,000**	1,908,000
	28,386,000	28,779,000
INCOME BEFORE EXPLORATION CHARGES	**27,314,000**	23,833,000
EXPLORATION CHARGES (Note A)		
Unproductive wells drilled	**9,288,000**	2,595,000
Undeveloped leases surrendered or amortized	**5,878,000**	722,000
Lease rentals	**648,000**	561,000
Other exploration costs	**728,000**	303,000
	16,542,000	4,181,000
INCOME BEFORE FEDERAL INCOME TAXES	**10,772,000**	19,652,000
PROVISION FOR FEDERAL INCOME TAXES (Note C)	**2,238,000**	867,000
INCOME BEFORE EXTRAORDINARY ITEMS	**8,534,000**	18,785,000
EXTRAORDINARY ITEMS		
Increase in Federal Power Commission approved prices of gas sales prior to July 1, 1970 — net of $235,000 income tax (Note A)	**3,113,000**	—
Capital gains — net of $338,000 income tax	**469,000**	—
NET INCOME	**$ 12,116,000**	$ 18,785,000
INCOME PER COMMON SHARE		
Income before extraordinary items	**$1.48**	$3.25
Extraordinary items	**.62**	—
Net income	**$2.10**	$3.25

Certain amounts for 1970 have been reclassified for comparative purposes.

See notes to financial statements.

Statement of Changes in Financial Position

General American Oil Company of Texas and Consolidated Subsidiaries

	Year Ended June 30, 1971	Year Ended June 30, 1970
SOURCE OF FUNDS		
Income before extraordinary items	**$ 8,534,000**	$ 18,785,000
Add: Depletion and depreciation	**12,817,000**	13,288,000
Exploration charges	**16,542,000**	4,181,000
Funds provided from operations	**37,893,000**	36,254,000
Extraordinary items	**3,582,000**	—
Disposals of assets	**1,868,000**	2,836,000
Reduction in accounts collectible solely from production — net	**5,053,000**	3,319,000
Loan proceeds — cash value of life insurance	**—**	522,000
Other	**728,000**	348,000
Total	**49,124,000**	43,279,000
APPLICATION OF FUNDS		
Capital and exploration expenditures:		
Drilling and related equipment costs	**18,016,000**	13,338,000
Gasoline plants and other facilities	**370,000**	703,000
Undeveloped leases and rentals	**11,641,000**	2,827,000
Acquisition of producing properties	**2,347,000**	85,000
Less: Acquisition production payments	**(1,930,000)**	—
	30,444,000	16,953,000
Liquidation of reserved production payments	**9,378,000***	13,828,000*
Liquidation of "carved-out" production payments	**—**	4,904,000
Investment in and advances to unconsolidated subsidiaries	**2,990,000**	4,940,000
Other investments	**—**	559,000
Cash dividends to stockholders	**3,511,000**	3,417,000
Repayment of life insurance policy loans	**522,000**	—
Purchases of Company's common shares	**—**	271,000
Total	**46,845,000**	44,872,000
INCREASE (DECREASE) IN WORKING CAPITAL	**$ 2,279,000**	$ (1,593,000)

*Includes $1,495,000 in 1971 and $2,563,000 in 1970 of proceeds from the interstate sales of natural gas at prices above the FPC approved rates conditionally applied on production payments which were reclassified to current liabilities as a result of the liquidation of various production payments during these years.

See notes to financial statements.

Consolidated Balance Sheet

General American Oil Company of Texas and Consolidated Subsidiaries

ASSETS

	June 30, 1971	June 30, 1970
CURRENT ASSETS		
Cash and certificates of deposit	**$ 14,018,000**	$ 7,507,000
Prime commercial paper	**—**	3,500,000
Notes and accounts receivable from Stockton, Whatley, Davin & Company	**—**	1,315,000
Accounts receivable	**9,598,000**	8,496,000
Inventories	**640,000**	635,000
Deferred and prepaid items	**297,000**	269,000
Total current assets	**24,553,000**	21,722,000
INVESTMENTS		
Investment in and advances to Stockton, Whatley, Davin & Company (Note B)	**18,310,000**	15,137,000
Investment in and advances to Premier Petrochemical Company (Note B)	**6,714,000**	6,897,000
Other stocks, notes and debentures — at cost	**942,000**	1,250,000
Total investments	**25,966,000**	23,284,000
OTHER ASSETS		
Accounts collectible solely from production	**15,690,000**	20,743,000
Advances to joint ventures	**344,000**	369,000
Cash value of life insurance — net of loans in 1970	**582,000**	39,000
Total other assets	**16,616,000**	21,151,000
PROPERTY AND EQUIPMENT — at cost (Note A)		
Producing oil and gas properties	**278,106,000**	271,968,000
Gasoline plants, pipelines and other equipment	**10,080,000**	9,825,000
Undeveloped leases	**14,306,000**	10,023,000
	302,492,000	291,816,000
Less accumulated depletion, depreciation and amortization	**141,921,000**	132,005,000
	160,571,000	159,811,000
Less unpaid production payments	**5,468,000**	12,903,000
Total property and equipment	**155,103,000**	146,908,000
	$222,238,000	$213,065,000

See notes to financial statements.

LIABILITIES AND CAPITAL

CURRENT LIABILITIES

	June 30, 1971	*June 30, 1970*
Accounts payable	**$ 10,509,000**	$ 12,481,000
Accrued expenses and general taxes	**499,000**	396,000
Federal income taxes payable	**2,772,000**	351,000
Total current liabilities	**13,780,000**	13,228,000

CAPITAL

Common shares, par value $5.00 per share: Authorized: 7,500,000 shares Issued: 1971 — 5,784,992; 1970 — 5,619,486	**28,925,000**	28,097,000
Capital surplus (includes transfers from earned surplus of $74,717,000 through 1971 representing the excess of market over par value of common stock dividends)	**99,091,000**	93,690,000
Earned surplus (Note B)	**80,734,000**	78,356,000
	208,750,000	200,143,000
Less common shares in treasury — at cost: 1971 — 10,143; 1970 — 10,570	**292,000**	306,000
Total capital	**208,458,000**	199,837,000

CONTINGENT LIABILITIES (Notes B and E)

	$222,238,000	$213,065,000

Statement of Consolidated Capital

General American Oil Company of Texas and Consolidated Subsidiaries

	Common Shares		Capital	Earned
	Number	Par Value	Surplus	Surplus
BALANCE JUNE 30, 1969	5,458,227	$27,291,000	$87,334,000	$70,150,000
Net income				18,785,000
3% stock dividend:				
Shares issued January 2, 1970	161,259	806,000	6,357,000	(7,163,000)
Cash in lieu of fractional shares				(95,000)
Cash dividends (60 cents per share)				(3,321,000)
Treasury share transactions			(1,000)	
BALANCE JUNE 30, 1970	5,619,486	28,097,000	93,690,000	78,356,000
Net income				12,116,000
3% stock dividend:				
Shares issued January 4, 1971	165,506	828,000	5,399,000	(6,227,000)
Cash in lieu of fractional shares				(97,000)
Cash dividends (60 cents per share)				(3,414,000)
Treasury share transactions			2,000	
BALANCE JUNE 30, 1971	5,784,992	$28,925,000	$99,091,000	$80,734,000

See notes to financial statements.

Accountants' Report

To the Shareholders and Board of Directors
General American Oil Company of Texas
Dallas, Texas

We have examined the consolidated balance sheet of General American Oil Company of Texas and its consolidated subsidiaries as of June 30, 1971, and the related statements of consolidated income, capital and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. Our opinion expressed herein, insofar as it relates to the investment in and net income of Stockton, Whatley, Davin & Company, is based upon the report of other independent accountants who examined the financial statements of that unconsolidated wholly-owned subsidiary which are summarized in Note B to the financial statements.

In our opinion, based upon our examination and the aforementioned report of other independent accountants, the accompanying aforementioned financial statements present fairly the consolidated financial position of General American Oil Company of Texas and its consolidated subsidiaries at June 30, 1971, and the consolidated results of their operations, changes in capital and changes in financial position for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except for the change (in which we concur) in the method of accounting for undeveloped leases as described in Note A to the financial statements.

Ernst & Ernst

Dallas, Texas
August 25, 1971

Notes to Financial Statements

General American Oil Company of Texas and Consolidated Subsidiaries

A — ACCOUNTING POLICIES AND PRACTICES

Production Payments

A major portion of the oil and gas properties has been acquired subject to production payments reserved by the sellers, payable, together with interest and production taxes, solely from the proceeds of oil and gas.

It is the Company's policy to treat reserved production payments on producing properties as a part of the acquisition cost of the properties. Since the Company has no direct liability on these, except for that set forth in Note E, the unpaid balances are shown as a deduction from the property accounts on the balance sheet. The original amounts included in the gross cost of producing oil and gas properties are $164,650,000 at June 30, 1971 and $164,625,000 at June 30, 1970.

Consistent with this treatment, the sales of oil and gas applied in liquidation of the production payments are included in revenues as follows:

	1971	1970
Crude oil and gas sales	$ 9,195,000	$13,444,000
Less:		
Taxes	671,000	975,000
Interest expense	641,000	1,204,000
	1,312,000	2,179,000
Net proceeds applied	$ 7,883,000	$11,265,000

Interstate sales of natural gas are included in the above net proceeds applied only to the extent of rates approved or set by the FPC, explained more fully below.

Exploration Charges and Development Costs

Intangible drilling and development costs applicable to unproductive wells are charged to expense when determined to be unproductive while those applicable to productive wells are capitalized and depleted on a unit-of-production basis, as explained below.

Acquisition costs of undeveloped leases including applicable geological and geophysical costs are capitalized. Costs for leases acquired before July 1, 1970 are written off when the properties are surrendered while, beginning in this fiscal year, costs of leases acquired after July 1, 1970, are amortized over estimated holding periods. This change reduced current earnings by $361,000 ($.06 per common share). When leases become productive, their gross costs are transferred to producing properties.

Depletion and Depreciation

The Company provides for depletion of producing oil and gas leases and for depreciation of related equipment on a unit-of-production basis. A composite grouping is used for this computation except for major acquisitions after June 30, 1959, which are separately grouped. Depreciation of other depreciable property is provided on a straight-line basis over the estimated useful lives of the properties.

Natural Gas Sales Subject to Possible FPC Refund

Interstate sales of natural gas are included in the Statement of Consolidated Income only to the extent of rates approved or set by the Federal Power Commission in its various orders. On July 16, 1971, the Federal Power Commission issued a new order in the South Louisiana Area Rate Proceeding affecting the Company's major area of gas sales, which increased the prices for both current and past sales over those permitted in its September, 1968 Order. Therefore, natural gas sales for the current year reflect the prices under the new order while increases applicable to past sales are shown as an extraordinary item. Contract amounts collected in excess of FPC approved rates, including interest, approximated $5,678,000 at June 30, 1970, under the September, 1968 Order and $2,650,000 at June 30, 1971, under the July 16, 1971 FPC Order. Such amounts are included in the "Accounts payable" and "unpaid production payments" captions of the Consolidated Balance Sheet.

The FPC Order also provides for further reduction in the refund obligations if new gas reserves are committed to the interstate market after August 1, 1971 and prior to October 1, 1977.

Income Per Common Share

Income per common share is based on the average number of shares outstanding during each year, adjusted for stock dividends.

B — INVESTMENTS

The Company's investments in its wholly-owned subsidiaries, Stockton, Whatley, Davin & Company (SWD) and Premier Petrochemical Company (Premier), are carried at equity (net assets) plus long-term loans from the Company. Information taken from their financial statements as of June 30, 1971 and for the year then ended, is summarized as follows:

	SWD	Premier
Current assets	$ 91,117,000	$ 946,000
Investment and other assets	6,163,000	22,000
Property and equipment	7,772,000	9,472,000
	$105,052,000	$10,440,000
Current liabilities	$ 79,810,000	$ 1,251,000
Long-term debt	9,432,000(1)	8,525,000(1)
Paid-in capital	4,975,000	2,423,000
Earned surplus (deficit)	10,835,000	(1,759,000)
	$105,052,000	$10,440,000
(1) Includes amounts due to parent company	$ 2,500,000	$ 6,050,000
Income	$ 12,026,000	$ 2,935,000
Expenses	8,203,000	5,168,000
Net income (loss)	$ 3,823,000	$(2,233,000)
Earned surplus July 1, 1970	7,662,000	474,000
Dividend paid	(650,000)	—
Earned surplus June 30, 1971	$ 10,835,000	$(1,759,000)

The Company has guaranteed a $2,400,000 long-term loan of Premier in connection with the financing of the construction of a melamine plant.

In connection with land acquisitions by SWD, the Company has guaranteed the payment of $4,340,000 of notes payable to the sellers.

In connection with a joint land development venture of SWD, the Company has guaranteed payment of $1,900,000 to the other venturer.

C — FEDERAL INCOME TAXES

There are differences between taxable income and financial statement income. Federal income tax expense in the financial statement has been adjusted for timing differences in accounting for undeveloped leases, accelerated depreciation and similar items. No provision has been made for accounting differences with respect to intangible drilling costs, certain acquisition production payments and percentage depletion due to their permanent nature.

Investment tax credit carry forward of approximately $525,000 is available for the reduction of future taxes.

D — RETIREMENT BENEFITS

Substantially all employees are covered by pension and/or profit sharing plans.

General American Oil Company of Texas has a noncontributory retirement plan, adopted by most of its subsidiaries, in which the normal cost is funded each year. The actuarially computed value of accrued benefits, both vested and nonvested, are fully funded. Company contributions to this plan were $450,000 for 1971 and $411,000 for 1970.

Stockton, Whatley, Davin & Company, a wholly-owned subsidiary, has a profit sharing plan which provides for benefits payable upon retirement or earlier termination of employment. The contributions of SWD to this plan were $425,000 for 1971 and $217,000 for 1970.

E — CONTINGENT LIABILITIES

In 1956, the lessor of land on which the Meadows Building is located brought suit to cancel the lease. The present lessee, the Employees' Retirement Trust, and the Company are named as defendants in the action. The Trust is protected by title insurance and, in the opinion of counsel, the suit is without merit.

The Company has guaranteed payment of secondary production payments, reserved by the sellers, of $800,000 plus interest. Reserve estimates indicate that production will be adequate to fulfill this obligation.

Ten-Year Summary

General American Oil Company of Texas and Consolidated Subsidiaries

	1971	1970	1969
FINANCIAL POSITION — at June 30,			
Current assets	$ 24,553,000	$ 21,722,000	$ 20,693,000
Current liabilities	13,780,000	13,228,000	10,606,000
Working capital	10,773,000	8,494,000	10,087,000
Investments and other assets	42,582,000	44,435,000	42,745,000
Property and equipment	302,492,000	291,816,000	285,767,000
Less — accumulated depletion, depreciation and amortization	141,921,000	132,005,000	122,179,000
Less — unpaid production payments	5,468,000	12,903,000	26,732,000
Property and equipment — net	155,103,000	146,908,000	136,856,000
	208,458,000	199,837,000	189,688,000
Less:			
Long-term debt	—	—	—
Deferred income	—	—	4,951,000
Common stockholders' equity	$208,458,000	$199,837,000	$184,737,000
Common shares outstanding	5,774,849	5,608,916	5,457,595
Common stockholders of record	6,882	6,638	6,129
INCOME STATEMENT — year ended June 30,			
Revenues	$ 55,700,000	$ 52,612,000	$ 51,516,000
Lease operating expenses	7,822,000	7,151,000	6,535,000
Taxes — other than Federal income	3,833,000	3,629,000	3,580,000
Depletion and depreciation	12,817,000	13,288,000	14,201,000
Administrative and general	3,132,000	2,803,000	2,479,000
Interest and other expense	782,000	1,908,000	2,851,000
Income before exploration charges	27,314,000	23,833,000	21,870,000
Exploration charges	16,542,000	4,181,000	3,568,000
Income before Federal income taxes	10,772,000	19,652,000	18,302,000
Provision for Federal income taxes	2,238,000	867,000	—
Income before extraordinary items	8,534,000	18,785,000	18,302,000
Extraordinary items after taxes	3,582,000	—	644,000
Net income	$ 12,116,000	$ 18,785,000	$ 18,946,000
Net income per common share (2)	$ 2.10	$ 3.35	$ 3.47
Cash flow (net income plus depletion, depreciation and exploratory expenses)	$ 41,475,000	$ 36,254,000	$ 36,715,000
Cash flow per common share (2)	$ 7.18	$ 6.46	$ 6.73
COMMON DIVIDENDS — year ended June 30,			
Cash	$ 3,511,000	$ 3,417,000	$ 3,216,000
Stock (in number of shares)	165,506	161,259	157,919
Cash — per share	$ .60	$ .60	$ .60
Stock — per share	3%	3%	3%
OPERATING STATISTICS — OIL & GAS OPERATIONS			
Texas proration — % of schedule allowable	78.71	60.38	46.31
Net crude oil sales — barrels	11,096,000	11,051,000	10,768,000
Net crude oil sales (daily average)	30,000	30,000	30,000
Net gas sales — MCF	66,675,000	71,795,000	75,044,000
Average price per barrel	$ 3.20	$ 3.00	$ 2.91
Wells operated — gross	1,682	1,724	1,809
Wells owned — net	1,745	1,801	1,783
Annual payroll	$ 3,760,000	$ 3,532,000	$ 3,319,000
Employees — average	402	401	400

(1) Restated for "pooling of interests" with Premier Petrochemical Company.
(2) Based on number of shares outstanding at end of each year.
(3) Represents gain on sale of Fargo Oils Ltd. stock and other capital gains.

1968	1967 (1)	1966	1965	1964	1963	1962
$ 25,456,000	$ 14,565,000	$ 11,709,000	$ 10,978,000	$ 11,797,000	$ 9,672,000	$ 23,807,000
9,452,000	7,368,000	6,950,000	6,060,000	6,085,000	6,703,000	5,812,000
16,004,000	7,197,000	4,759,000	4,918,000	5,712,000	2,969,000	17,995,000
37,053,000	33,467,000	30,860,000	29,298,000	27,008,000	25,172,000	15,132,000
276,911,000	266,970,000	262,524,000	242,520,000	241,086,000	241,709,000	219,729,000
112,942,000	102,177,000	94,134,000	83,747,000	75,894,000	69,931,000	61,590,000
43,685,000	56,543,000	64,511,000	62,772,000	71,574,000	82,666,000	78,422,000
120,284,000	108,250,000	103,879,000	96,001,000	93,618,000	89,112,000	79,717,000
173,341,000	148,914,000	139,498,000	130,217,000	126,338,000	117,253,000	112,844,000
—	20,000,000	20,427,000	20,000,000	20,000,000	20,000,000	20,000,000
6,295,000	1,369,000	2,077,000	106,000	2,972,000	71,000	8,291,000
$167,046,000	$127,545,000	$116,994,000	$110,111,000	$103,366,000	$ 97,182,000	$ 84,553,000
5,263,944	4,532,000	4,400,000	4,275,600	4,069,800	3,960,500	3,470,028
5,885	5,451	5,371	5,603	5,833	5,711	4,516
$ 48,225,000	$ 42,426,000	$ 37,416,000	$ 35,151,000	$ 35,347,000	$ 33,918,000	$ 31,712,000
6,326,000	6,047,000	5,753,000	5,619,000	5,785,000	5,871,000	5,921,000
3,487,000	3,167,000	2,879,000	2,662,000	2,618,000	3,047,000	2,416,000
13,098,000	11,943,000	10,764,000	9,904,000	10,292,000	9,339,000	8,669,000
2,247,000	1,938,000	1,826,000	1,760,000	1,723,000	1,587,000	1,620,000
3,767,000	4,932,000	5,386,000	5,232,000	5,760,000	6,146,000	5,989,000
19,300,000	14,399,000	10,808,000	9,974,000	9,169,000	7,928,000	7,097,000
2,175,000	1,569,000	2,079,000	2,203,000	1,873,000	1,695,000	1,203,000
17,125,000	12,830,000	8,729,000	7,771,000	7,296,000	6,233,000	5,894,000
—	—	—	—	—	(499,000)	108,000
17,125,000	12,830,000	8,729,000	7,771,000	7,296,000	6,732,000	5,786,000
6,197,000(3)	—	—	164,000	662,000	736,000	617,000
$ 23,322,000	$ 12,830,000	$ 8,729,000	$ 7,935,000	$ 7,958,000	$ 7,468,000	$ 6,403,000
$ 4.43	$ 2.81	$ 1.98	$ 1.86	$ 1.96	$ 1.89	$ 1.85
$ 38,595,000	$ 26,342,000	$ 21,572,000	$ 20,042,000	$ 20,123,000	$ 18,502,000	$ 16,275,000
$ 7.33	$ 5.77	$ 4.90	$ 4.69	$ 4.94	$ 4.67	$ 4.69
$ 2,762,000	$ 1,786,000	$ 1,734,000	$ 1,673,000	$ 1,772,000	$ 1,759,000	$ 1,385,000
145,863	132,000	128,172	205,768	109,365	175,582	101,928
$ .55	$ .40	$ .40	$ .40	$ .40	$ .40	$ .40
3%	3%	3%	5%	3%	5%	3%
46.31	34.84	31.32	28.21	28.29	26.93	26.85
10,499,000	9,299,000	8,734,000	8,142,000	8,802,000	8,769,000	8,377,000
29,000	25,000	24,000	22,000	24,000	24,000	23,000
65,933,000	60,718,000	51,846,000	48,521,000	43,601,000	37,770,000	32,792,000
$ 2.86	$ 2.83	$ 2.82	$ 2.81	$ 2.79	$ 2.80	$ 2.82
1,862	1,927	2,028	2,080	2,250	2,425	2,465
1,815	1,861	1,950	1,956	2,061	2,235	2,205
$ 3,139,000	$ 3,057,000	$ 2,960,000	$ 2,883,000	$ 2,888,000	$ 2,875,000	$ 2,869,000
403	417	420	422	435	447	460

Officers and Directors

General American Oil Company of Texas

OFFICERS

ALGUR H. MEADOWS, *Chairman of the Board and Executive Committee*
WILLIAM P. BARNES, *President*
ROBERT M. SWESNIK, *Vice Chairman of the Board*
JAMES W. GOSS, *Executive Vice President*
FRED C. HIGGINBOTHAM, JR., *Senior Vice President and Treasurer*
NORMAN W. KROUSKOP, *Senior Vice President, Operations*
DONALD C. APELAND, *Vice President, Land*
J. DONALD BROWN, *Vice President, Purchasing*
JOE M. HAAS, *Vice President, Engineering*
JERE G. HAYES, *Vice President, Secretary and General Counsel*
CHARLES M. KENNEDY, *Vice President and Controller*
JOHN T. REYNOLDS, *Vice President, Production*
GEORGE RHODUS, *Vice President and Assistant to the President*
MALCOLM E. WILSON, JR., *Vice President, Geology*
R. O. CAMPBELL, *Assistant Vice President, Production*
JOHN C. COOPER, *Assistant Vice President, Land, and Assistant Secretary*
HARRY FRANK, *Assistant Vice President, Geology*
H. R. PARKISON, *Assistant Vice President, Engineering*
MARTIN W. VERNON, *Assistant Vice President, Geology*
BRYAN T. CRENSHAW, *Assistant Treasurer and Assistant Secretary*

EXECUTIVE COMMITTEE

ALGUR H. MEADOWS, *Chairman*
WILLIAM P. BARNES
JAMES W. GOSS
FRED C. HIGGINBOTHAM, JR.
NORMAN W. KROUSKOP
ROBERT M. SWESNIK

DIRECTORS

ALGUR H. MEADOWS, *Chairman,* Dallas, Texas
RUSHTON L. ARDREY, Dallas, Texas
WILLIAM P. BARNES, Dallas, Texas
PAUL A. CONLEY, New York, New York
FREDERICK H. CONNALLY, Dallas, Texas
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ROBERT M. SWESNIK, Dallas, Texas
JIM M. VAUGHN, Tyler, Texas
BROWN L. WHATLEY, Miami, Florida

*Resigned May 28, 1971
**Deceased June 19, 1971

See "Personnel", page 7, for change in Directors made at the Directors' Meeting of August 27, 1971.

Agents

General American Oil Company of Texas

GENERAL OFFICES

MEADOWS BUILDING
Dallas, Texas 75206

TRANSFER AGENTS

REPUBLIC NATIONAL BANK OF DALLAS
Pacific and Ervay Streets, Dallas, Texas 75201

THE CHASE MANHATTAN BANK
NATIONAL ASSOCIATION
80 Pine Street, New York, New York 10015

CANADA PERMANENT TRUST COMPANY
1901 Yonge Street
Toronto 7, Ontario, Canada

REGISTRARS

FIRST NATIONAL BANK IN DALLAS
1401 Elm Street, Dallas, Texas 75202

FIRST NATIONAL CITY BANK
55 Wall Street, New York, New York 10015

GUARANTY TRUST COMPANY OF CANADA
88 University Avenue
Toronto 1, Ontario, Canada

DIVIDEND DISBURSING AGENT

REPUBLIC NATIONAL BANK OF DALLAS
Pacific and Ervay Streets, Dallas, Texas 75201